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Whitestone REIT  
Form S-4  
November 22, 2011  
As filed with the Securities and Exchange Commission on November 21, 2011  
Registration No. 333-

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM S-4

REGISTRATION STATEMENT UNDER THE  
SECURITIES ACT OF 1933

Whitestone REIT  
Whitestone REIT Operating Partnership, L.P.  
(Exact name of registrants as specified in their charter)

Whitestone REIT		
Maryland	6798	76-0594970
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(IRS Employer Identification Number)

Whitestone REIT Operating Partnership, L.P.		
Delaware	6798	76-0594968
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(IRS Employer Identification Number)

2600 South Gessner, Suite 500  
Houston, Texas 77063  
(713) 827-9595  
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

James C. Mastandrea  
President and Chief Executive Officer  
Whitestone REIT  
2600 South Gessner, Suite 500  
Houston, Texas 77063  
(713) 827-9595

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:  
John A. Good, Esq.  
Amanda R. Poe, Esq.  
Bass, Berry & Sims PLC  
100 Peabody Place, Suite 900  
Memphis, TN 38103-2625  
(901) 543-5900

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective and all other conditions of the proposed transaction described herein have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Whitestone REIT:

Large accelerated filer "	Accelerated filer "	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company "
		(Do not check if a smaller reporting company)	

Whitestone REIT Operating Partnership, L.P.:

Large accelerated filer "	Accelerated filer "	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company "
		(Do not check if a smaller reporting company)	

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered <sup>(1)</sup>	Proposed Maximum Offering Price Per Share <sup>(2)</sup>	Proposed maximum aggregate offering price <sup>(3)</sup>	Amount of registration fee
Class B common shares of beneficial interest, par value \$0.001 per share	1,321,431	\$11.88	\$15,691,993	\$1,799

(1) This registration statement registers the maximum number of Class B common shares of Whitestone REIT that may be delivered in connection with the exchange offer.

The registration fee has been computed pursuant to Rule 457(f)(1) under the Securities Act of 1933, as amended, (2) solely for the purpose of calculating the registration fee based on the average of the high and low prices of the Registrant's Class B common shares on the NYSE Amex on November 18, 2011.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.



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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION - DATED NOVEMBER 21, 2011

Offer To Exchange up to  
1,321,431 Class B common shares of  
Whitestone REIT

for

Up to 867,789 Class A common shares of Whitestone REIT  
and

Up to 453,642 Units of Limited Partnership of Whitestone REIT Operating Partnership, L.P.  
Subject to the terms and conditions described in this prospectus

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Whitestone REIT, a Maryland real estate investment trust, or the Company, and Whitestone REIT Operating Partnership, L.P., a Delaware limited partnership, or the Operating Partnership, hereby offer, upon the terms and subject to the conditions described in this prospectus and the accompanying letters of transmittal, to exchange the Company's Class B common shares of beneficial interest, \$0.001 par value per share, or Class B common shares, on a one-for-one basis for (i) up to 867,789 outstanding Class A common shares of beneficial interest, \$0.001 par value per share, of the Company, or Class A common shares; and (ii) up to 453,642 outstanding units of limited partnership in the Operating Partnership, or the OP units. As of November 18, 2011, there were 2,603,294 Class A common shares and 1,360,927 OP units, not held by the Company, outstanding. Holders who validly tender and do not validly withdraw their Class A common shares and OP units prior to 5:00 p.m., New York City time, on \_\_\_\_\_, 2011 will receive, for each Class A common share or OP unit, one Class B common share.

The exchange offer expires at 5:00 p.m., New York City time, on \_\_\_\_\_, 2011, or the expiration date, unless the exchange offer is extended or earlier terminated by us.

You may withdraw tenders of outstanding Class A common shares or OP units at any time before the exchange offer expires.

We will not receive any proceeds from the exchange offer.

Our Class B common shares are listed on the NYSE Amex under the symbol "WSR." The last reported sale price of our Class B common shares on the NYSE Amex on November 18, 2011 was \$11.88 per share.

Consummation of the exchange offer is subject to the conditions described in "The Exchange Offer-Conditions of the Exchange Offer." The exchange offer is not conditioned on any minimum number of Class A common shares or OP units being tendered.

Our declaration of trust contains certain restrictions relating to the ownership and transfer of our Class B common shares, including, subject to certain exceptions, a limit on ownership of more than 9.8% in value or number of shares, whichever is more restrictive, of our outstanding Class B common shares. See "Description of Securities-Restrictions on Ownership and Transfer."

See "Risk Factors" beginning on page 7 for a discussion of factors you should consider in evaluating this exchange offer.

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None of the Company, the Operating Partnership, the exchange agent or any other person is making any recommendation as to whether you should choose to tender your Class A common shares or OP units in the exchange offer. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We are not making this exchange offer in any state or other jurisdiction where it is not permitted.

The date of this prospectus is , 2011.

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This prospectus includes combined disclosure for the Company and the Operating Partnership, of which the Company is the sole general partner. Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus to “we,” “us,” “our” or “our Company” refer to the Company together with its consolidated subsidiaries, including the Operating Partnership. Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus to “our Operating Partnership” or “the Operating Partnership” refer to the Operating Partnership together with its consolidated subsidiaries.

You should rely only on the information contained or incorporated by reference in this prospectus. Neither the Company nor the Operating Partnership has authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. Neither the Company nor the Operating Partnership is making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus is accurate as of the date appearing on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

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WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission, or the SEC, a registration statement on Form S-4 under the Securities Act of 1933, as amended, or the Securities Act, to register the Class B common shares offered by this prospectus. This prospectus does not contain all of the information included in the registration statement and the exhibits to the registration statement. We strongly encourage you to read carefully the registration statement and the exhibits to the registration statement.

Any statement made in this prospectus concerning the contents of any contract, agreement or other document is only a summary of the actual contract, agreement or other document. If we have filed any contract, agreement or other document as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the document or matter involved. Each statement regarding a contract, agreement or other document is qualified in its entirety by reference to the actual document.

Each of the Company and the Operating Partnership files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document the Company or the Operating Partnership files with the SEC at its Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. You may also obtain these materials from us at no cost by directing a written or oral request to us at Whitestone REIT, 2600 South Gessner, Suite 500, Houston, Texas 77063, Attn: Corporate Secretary, or by calling our Investor Relations Department at (713) 827-9595, or at our website at [www.whitestonereit.com](http://www.whitestonereit.com). Information on our website is not incorporated by reference into this prospectus. In addition, the SEC maintains a web site, <http://www.sec.gov>, which contains reports, proxy and information statements and other information regarding registrants, including the Company and the Operating Partnership, that file electronically with the SEC.

Each of the Operating Partnership's Annual Report on Form 10-K for year ended December 31, 2010 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 was previously filed with the SEC. The Operating Partnership's Annual Report on Form 10-K for year ended December 31, 2010 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 are annexed to, and included in, this prospectus as Annexes A and B, respectively. These documents contain important information about the Operating Partnership and the Operating Partnership's financial condition.

DOCUMENTS INCORPORATED BY REFERENCE

This prospectus incorporates important business and financial information about the Company from documents filed with the SEC that are not included in or delivered with this prospectus. The SEC permits the Company to "incorporate by reference" important information by referring you to another document filed separately with the SEC. This means that the information incorporated by reference is deemed to be part of this prospectus, unless superseded by information included in this prospectus or by information in subsequently filed documents that the Company incorporates by reference in this prospectus.

Specifically, we incorporate herein by reference the Company's documents set forth below:

- Annual Report on Form 10-K for the year ended December 31, 2010, filed on March 1, 2011;
- Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, filed on May 16, 2011;
- Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, filed on August 8, 2011;
- Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed on November 7, 2011;

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Current Reports on Form 8-K, filed on January 11, 2011, January 25, 2011, April 5, 2011, April 18, 2011, May 5, 2011, May 16, 2011, and June 17, 2011; and

Definitive proxy statement on Schedule 14A filed on April 1, 2011 (solely to the extent specifically incorporated by reference into the Company's Annual Report on Form 10-K for the year ended December 31, 2010).

In addition, we also incorporate by reference into this prospectus all documents that the Company files with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, from the date of this prospectus to the date that the exchange offer is completed (or the date that the exchange offer is terminated). These documents include Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.



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Notwithstanding the foregoing, unless specifically stated to the contrary, none of the information that we disclose under Items 2.02, 7.01 or 9.01 of any Current Report on Form 8-K that we may from time to time furnish to the SEC will be incorporated by reference into, or otherwise included in, this prospectus. You may request any of the documents incorporated by reference herein (excluding exhibits) as described above under “Where You Can Find Additional Information.”

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SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information included elsewhere in this prospectus. Because this is a summary, it may not contain all the information you should consider before deciding whether to participate in the exchange offer. You should read this entire prospectus carefully, including the section entitled “Risk Factors,” before making an investment decision.

The Company and the Operating Partnership

Our Business

We are a fully integrated real estate company that owns and operates commercial properties in culturally diverse markets in major metropolitan areas. Founded in 1998, we are internally managed with a portfolio of commercial properties in Texas, Arizona and Illinois. In October 2006, our current management team joined the Company and adopted a strategic plan to acquire, redevelop, own and operate “Community Centered Properties.” We define Community Centered Properties as visibly located properties in established or developing culturally diverse neighborhoods in our target markets. We market, lease, and manage our centers to match tenants with the shared needs of the surrounding neighborhood. Those needs may include specialty retail, grocery, restaurants and medical, educational and financial services. Our current portfolio is concentrated in Houston, with additional properties in the Phoenix, Chicago, Dallas and San Antonio metropolitan areas.

The Company operates as a real estate investment trust, or REIT, and the general partner of the Operating Partnership. As of September 30, 2011, the Company owned an approximate 89% partnership interest in the Operating Partnership and other limited partners, including some of our directors, executive officers and their affiliates, owned the remaining 11% partnership interest. As the sole general partner of the Operating Partnership, the Company has the full, exclusive and complete responsibility for the Operating Partnership's day-to-day management and control. Our properties are held by, and all of our operations are conducted by, the Operating Partnership. Accordingly, the descriptions of our business, properties and investment policies are also descriptions of the business, properties and investment policies of the Operating Partnership.

In August 2010, the Company completed an initial public offering of our Class B common shares, which are listed on the NYSE Amex under the symbol “WSR.” In connection with the offering, we (i) changed the name of all of our then outstanding “common shares” to “Class A common shares” and (ii) effected a 1-for-3 reverse split of our Class A common shares and OP units. Class A common shares and Class B common shares have equal voting, dividend and liquidation rights. We do not intend to list our Class A common shares or our OP units on a national securities exchange. In this prospectus, we refer to Class A and Class B common shares collectively as our “common shares.”

The Company is a Maryland REIT that was formed in December 1998, and the Operating Partnership is a Delaware limited partnership that was formed in December 1998. Our executive offices are currently located at 2600 South Gessner, Suite 500, Houston, Texas 77063, and our telephone number is (713) 827-9595. Our website can be accessed at [www.whitestonereit.com](http://www.whitestonereit.com). The content of our website is not incorporated into, and does not form a part of, this prospectus.



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The Exchange Offer

We have summarized the terms of this exchange offer in this section. Before you decide whether to tender your Class A common shares or OP units in this exchange offer, you should read the detailed description of the exchange offer in the section entitled “The Exchange Offer.”

The Exchange Offer

We are offering, upon the terms and subject to the conditions described in this prospectus and the accompanying letters of transmittal, to issue Class B common shares in exchange, on a one-for-one basis, for (i) up to 867,789 Class A common shares of the Company and (ii) up to 453,642 OP units of the Operating Partnership. Holders who validly tender and do not validly withdraw their Class A common shares or OP units prior to 5:00 p.m., New York City time, on the expiration date (as defined below) will receive one Class B common share for each Class A common share or OP unit. You may tender all, some or none of your Class A common shares or OP units for Class B common shares.

As of November 18, 2011, there were 2,603,294 Class A common shares and 1,360,927 OP units, not held by the Company, outstanding. See “The Exchange Offer-Terms of the Exchange Offer.”

Conditions of the Exchange Offer

This exchange offer is not conditioned on any minimum number of Class A common shares or OP units being tendered. Consummation of the exchange offer is subject to certain conditions, including that the registration statement, of which this prospectus is a part, shall have been declared effective by the SEC and other customary conditions. We may waive any or all of the conditions to the exchange offer in our sole and absolute discretion, except for the registration statement effectiveness condition. See “The Exchange Offer-Conditions of the Exchange Offer.”

Purpose of the Exchange Offer

The purpose of the exchange offer is to exchange Class A common shares and OP units, neither of which are listed on a national securities exchange, on a one-for-one basis for Class B common shares, which are listed on the NYSE Amex, thereby providing liquidity to holders of Class A common shares and OP units.

Expiration Date

The exchange offer expires at 5:00 p.m., New York City time, on , 2011, or the expiration date, unless extended or earlier terminated by us. We may extend the expiration date for any reason in our sole and absolute discretion. If we decide to extend the expiration date, we will announce any extensions by press release or other public announcement no later than 9:30 a.m., New York City time, on the business day after the scheduled expiration of the exchange offer. See “The Exchange Offer-Expiration Date; Extensions; Amendments.”

Termination of the Exchange Offer

We reserve the right to terminate the exchange offer at any time prior to the completion of the exchange offer if any of the conditions under “The Exchange Offer-Conditions of the Exchange Offer” have not been satisfied, in our sole and absolute discretion. See “The Exchange Offer-Termination of the Exchange Offer.”

Procedures for Tendering Class A common shares and OP

Holders of Class A common shares and/or OP units desiring to accept the exchange offer must tender their Class A common shares and/or OP units by signing and returning the appropriate letter of transmittal, including all other documents required by the letter

units

of transmittal. See “The Exchange Offer-Procedures for Tendering.”

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Acceptance of Class A common shares and OP units and Delivery of Class B common shares	<p>If the registration statement of which this prospectus is a part is declared effective by the SEC and the exchange offer is completed, we will, subject to the terms and conditions described in this prospectus, accept up to 867,789 Class A common shares and up to 453,642 OP units that are validly tendered and not validly withdrawn prior to the expiration date. If more than 867,789 Class A common shares are tendered, then we will accept such tendered Class A common shares on a pro rata basis in proportion to the number of Class A common shares tendered. If more than 453,642 OP units are tendered, then we will accept such tendered OP units on a pro rata basis in proportion to the number of OP units tendered. We refer to this as “proration.” Holders of Class A common shares and/or OP units who own “odd-lots” (less than 100 Class A common shares and/or less than 100 OP units) and who validly tender all of their Class A common shares and/or all of their OP units will not be subject to proration if they so request. For instance, if you own less than 100 Class A common shares and/or less than 100 OP units and tender all of your Class A common shares and/or OP units, your odd-lot will not be subject to proration if you so request. If, however, the exchange offer is oversubscribed with respect to either Class A common shares or OP units and you hold less than 100 Class A common shares or OP units, but do not tender all of your shares or OP units, you will be subject to proration to the same extent as holders of more than 100 shares or OP units (and holders of odd-lots that do not request preferential treatment). If you own more than 100 Class A common shares or OP units, but own less than 100 OP units or Class A common shares, respectively, you may request to not be subject to proration with respect to either Class A common shares or OP units, whichever you own less than 100 shares or units. Similarly, if you own less than 100 Class A common shares and less than 100 OP units, you may request to not be subject to proration with respect to both your Class A common shares and OP units.</p> <p>The Class B common shares issued as part of the exchange offer will be delivered promptly after we accept the Class A common shares or OP units. See “The Exchange Offer-Acceptance of Class A Common Shares and OP Units for Exchange; Delivery of Class B Common Shares.”</p>
Withdrawal Rights	<p>Holders may withdraw the Class A common shares or OP units they have tendered at any time prior to 5:00 p.m., New York City time, on , 2011. See “The Exchange Offer-Withdrawal Rights.”</p>
Use of Proceeds	<p>Neither the Company nor the Operating Partnership will receive any proceeds from the exchange offer.</p>
Federal Income Tax Consequences	<p>The exchange of OP units for Class B common shares will be a taxable transaction for U.S. federal income tax purposes. The exchange of Class A common shares for Class B common shares pursuant to the exchange offer generally will constitute a tax-deferred transaction for U.S. federal income tax purposes. In addition, Class B common shares are subject to special and complex U.S. federal income tax rules. Holders are urged to consult their own tax advisors with respect to the application of the U.S. federal income tax laws to their own particular situation as well as any tax consequences of the exchange of OP units or Class A common shares pursuant to the exchange offer and the ownership and disposition of Class B common shares arising under the federal estate or gift tax rules or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable treaty. See “Material U.S. Federal Income Tax Considerations.”</p>

Accounting Treatment

The Class A common shares acquired by the Company in the exchange offer will be retired and cancelled. The value of the Class A shares received by the Company will be deemed equal to the value of the Class B common shares issued by the Company; therefore no gain or loss will be recognized in the Company's consolidated net income or comprehensive income. The OP units acquired by the Company will be recorded as an acquisition of ownership interest in the Operating Partnership by the Company, resulting in an increase in the general partner capital balance and a decrease in the limited partner capital balance. The Company has a controlling interest in the Operating Partnership both before and after the completion of the exchange; therefore the exchange will be accounted for as an equity transaction, with no gain or loss recognized in the Company's consolidated net income or comprehensive income. The carrying amount of the noncontrolling interest will be adjusted to reflect the change in the ownership interest in the subsidiary. Any difference between the fair value of the Class B common shares paid and the amount by which the noncontrolling interest is adjusted will be recognized in equity attributable to the Company.

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Exchange Agent	American Stock Transfer and Trust Company, LLC is the exchange agent for the exchange offer.
Fees and Expenses	The Company will pay all fees and expenses it incurs in connection with the exchange offer. See “The Exchange Offer-Fees and Expenses.”
Regulatory Approvals	We are not aware of any material regulatory approvals necessary to complete this offer. However we may not complete this exchange offer until the registration statement, of which this prospectus is a part, is declared effective by the SEC.
Rights of Non-Tendering Holders	If you do not exchange your Class A common shares or OP units for Class B common shares, you will continue to be subject to restrictions on transfer applicable to the Class A common shares or OP units. In general, the Class A common shares or OP units may not be offered or sold, unless registered under the Securities Act, as amended, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not currently plan to register the resale of the Class A common shares or OP units under the Securities Act. Holders who do not tender their Class A common shares or OP units pursuant to this offer will continue to have the same rights as they are entitled to today under the Articles of Amendment and Restatement, or the declaration of trust of the Company, or the partnership agreement of the Operating Partnership, as applicable.
Questions	If you have any questions regarding the terms of the exchange offer, please contact our Investor Relations Department at (713) 827-9595. If you have questions regarding the procedures for tendering Class A common shares or OP units in the exchange offer, please contact the exchange agent at 1-877-248-6417.
Risk Factors	For certain risks you should consider in evaluating this exchange offer, including the share ownership limit imposed by the Company's declaration of trust or declaration of trust, each as amended, see “Risk Factors” beginning on page 7.



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RISK FACTORS

In addition to other information contained in this prospectus, you should carefully consider the risks described below and described in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 incorporated herein by reference, the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2010 included as Annex A to this prospectus, and other subsequent filings of the Company and the Operating Partnership under the Exchange Act, in evaluating our company, our properties and our business before making a decision to exchange your Class A common shares or OP units for Class B common shares in the exchange offer. The occurrence of any such risks might cause you to lose all or a part of your investment. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements, as described in the section entitled "Forward-Looking Statements."

Risks Related to the Exchange Offer

If the procedures for tendering your Class A common shares or OP units in this exchange offer are not followed, you may not receive Class B common shares.

We will issue the Class B common shares in exchange for your Class A common shares or OP units only if you tender the Class A common shares or OP units and deliver a properly completed and duly executed letter of transmittal and other required documents before expiration, or earlier termination, of the exchange offer. You should allow sufficient time to ensure timely delivery of the necessary documents. Neither the exchange agent nor we are under any duty to give notification of defects or irregularities with respect to the tenders of Class A common shares or OP units for exchange.

The exchange offer may be cancelled or delayed.

We are not obligated to complete the exchange offer under certain circumstances. See "The Exchange Offer-Conditions of the Exchange Offer." If you validly tender Class A common shares or OP units by properly executing the appropriate letter of transmittal and any other necessary documents prior to the expiration date, you may validly withdraw your tendered Class A common shares or OP units. If any of the conditions of the exchange offer are not met as of the expiration date, in our sole and absolute discretion, we have the right to terminate the exchange offer. Even if the exchange offer is completed, it may not be completed exactly on the schedule described in this prospectus. Accordingly, holders participating in the exchange offer may have to wait longer than expected to receive their Class B common shares.

An exchange of OP units for Class B common shares generally will constitute a taxable exchange.

In general, an exchange of OP units for Class B common shares pursuant to the exchange offer will constitute a fully taxable exchange. We urge you to consult your own tax advisor regarding the federal, state, local and foreign tax consequences of an exchange of OP units for Class B common shares pursuant to the exchange offer.

Following this exchange offer and additional exchange offers that we intend to conduct in the future, large numbers of holders of our Class A common shares and OP units receiving Class B common shares may create an increased demand to sell our Class B common shares. Significant sales of our Class B common shares, or the perception that significant sales of such shares could occur, may cause the price of our Class B common shares to decline significantly.

Neither our Class A common shares nor our OP units are listed on any national securities exchange and the ability of holders to liquidate their investments in Class A common shares and OP units is limited. On September 2, 2011, we

commenced an offer to exchange Class B common shares on a one-for-one basis for (i) up to 867,789 outstanding Class A common shares; and (ii) up to 453,642 outstanding OP units, which expired at 5:00 p.m., New York City time, on Monday, October 3, 2011. As a result, 867,789 Class A common shares and 453,642 OP units were accepted for exchange. Following the completion of this exchange offer, we intend to conduct additional exchange offers to provide the opportunity to exchange the remainder of our Class A common shares and our OP units for Class B common shares. Following each such exchange offer, if our former Class A shareholders and OP unitholders sell, or the market perceives that such holders intend to sell, substantial numbers of our Class B common shares in the public market, the market price of our Class B common shares could decline significantly. As of November 18, 2011, we had 2,603,294 Class A common shares and 1,360,927 OP units, not held by the Company, outstanding.

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In addition, because our Class A common shares are not subject to transfer restrictions (other than the restrictions on ownership and transfer of shares set forth in the Company's declaration of trust), such shares are freely tradable. As a result, notwithstanding that such shares are not to be listed on a national securities exchange, it is possible that a market may develop for shares of our Class A common shares, and sales of such shares, or the perception that such sales could occur, could have a material adverse effect on the trading price of our Class B common shares.

The market price and trading volume of our Class B common shares may be volatile following this exchange offer.

The market price of our Class B common shares may fluctuate widely and be highly volatile. In addition, the trading volume in our Class B common shares may fluctuate and cause significant price variations to occur. Some of the factors that could negatively affect the share price or result in fluctuations in the market price or trading volume of our Class B common shares include:

- actual or anticipated variations in our operating results, funds from operations, cash flow, liquidity, or distributions;
- publications of research reports about us or the real estate industry;
- increases in market interest rates; changes in market valuations of similar companies;
- adverse market reaction to any securities we may issue or increased indebtedness we incur in the future;
- the failure to comply with our debt covenants;
- additions or departures of key management personnel;
- actions by institutional shareholders;
- speculation in the press or investment community;
- actual or anticipated changes in our future financial performance;
- strategic actions by us or our competitors, such as acquisitions, restructurings, or innovations;
- operations and performance of our competitors;
- developments in the real property investment industry generally;
- the realization of any of the other risk factors presented in this prospectus; and
- general market and economic conditions.

In addition, many of the factors listed above are beyond our control. These factors may cause the market price of the Class B common shares to decline, regardless of our financial condition, results of operations, business, or prospects. We cannot assure you that the market price of the Class B common shares will not fluctuate or decline significantly in the future, and it may be difficult for investors to resell the Class B common shares at prices they find attractive or at all.

Increases in market interest rates may result in a decrease in the value of our Class B common shares.

One of the factors that may influence the price of our Class B common shares will be the dividend distribution rate on the Class B common shares (as a percentage of the price of our Class B common shares) relative to market interest rates. If market interest rates rise, prospective purchasers of shares of our Class B common shares may expect a higher distribution rate. Higher interest rates would not, however, result in more funds being available for distribution and, in fact, would likely increase our borrowing costs and might decrease our funds available for distribution. We, therefore, may not be able, or we may not choose, to provide a higher distribution rate. As a result, prospective purchasers may decide to purchase other securities rather than our Class B common shares, which would reduce the demand for, and subsequently result in a decline in the market price of, our Class B common shares.

Broad market fluctuations could negatively impact the market price of our Class B common shares.

The stock market has experienced extreme price and volume fluctuations that have affected the market price of many companies in industries similar or related to ours and that have been unrelated to these companies' operating

performances. These broad market fluctuations could reduce the market price of our Class B common shares.

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If our operating results or prospects are below expectations, the market price of our Class B common shares could decline.

Our operating results and prospects may be below the expectations of public market analysts and investors or may be lower than those of companies with comparable market capitalizations. Either of these factors could lead to a material decline in the market price of our Class B common shares.

The Class B common shares issued in this exchange offer and any common shares eligible for future sale may adversely affect the prevailing market prices for our common shares.

Our Class B common shares have traded on the NYSE Amex since August 26, 2010. If the maximum number of Class A common shares and OP units are tendered in this exchange offer, we will issue 1,321,431 of our Class B common shares upon completion of this exchange offer, an amount equal to 15.0% of our Class B common shares outstanding prior to this exchange offer, and the Class B common shares being issued will represent approximately 13% of the Class B common shares available to trade after this exchange offer. Also, the three month average trading volume in our Class B common shares as reported by the NYSE Amex as of November 18, 2011 was 38,222 shares per day. In addition, we intend to conduct additional exchange offers in the future to exchange additional Class A common shares and OP units for Class B common shares. We also may issue from time to time additional Class B common shares or OP units in connection with the acquisition of properties and we may grant demand or piggyback registration rights in connection with these issuances. We cannot predict the effect, if any, of this exchange offer, future issuances of Class B common shares or OP units, or the availability of Class B common shares for future sale, on the market price of our Class B common shares. Sales of substantial numbers of Class B common shares (including shares issued to our trustees and officers), or the perception that these sales could occur, may adversely affect the liquidity of the market for our Class B common shares or prevailing market prices for our Class B common shares. Large price changes or low volume may preclude you from selling your Class B common shares at all, at any particular price or during a time frame that meets your investment objectives. In addition, the prior performance of the Class B common shares since August 26, 2010 may not be indicative of the performance of the Class B common shares after the exchange offer.

Future offerings of debt, which would be senior to our common shares upon liquidation, and/or preferred equity securities that may be senior to our common shares for purposes of dividends or other distributions or upon liquidation, may adversely affect the market price of our Class B common shares.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or preferred equity securities, including medium-term notes, trust preferred securities, senior or subordinated notes and preferred shares. Upon liquidation, holders of our debt securities and preferred shares and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our common shares. Additional equity offerings may dilute the holdings of our existing shareholders or reduce the market price of our Class B common shares, or both. Holders of our common shares are not entitled to preemptive rights or other protections against dilution. Our preferred shares, if issued, could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability to pay a dividend or make another distribution to the holders of our common shares. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, the holders of our Class B common shares bear the risk of our future offerings reducing the market price of our Class B common shares and diluting their share holdings in us.

None of the board of trustees of the Company, acting as the board of trustees or as the general partner of the Operating Partnership, or the exchange agent has made a recommendation as to whether the holders of Class A common shares or OP units should exchange their shares or units for Class B common shares pursuant to the exchange offer.

None of the board of trustees of the Company, or our Board, acting as our Board or as the general partner of the Operating Partnership, or the exchange agent has made a recommendation as to whether the holders of Class A common shares or OP units should exchange their shares or units for Class B common shares pursuant to the exchange offer. Neither the Company nor the Operating Partnership has retained, and neither intends to retain, any unaffiliated representative to act solely on behalf of the holders of the Class A common shares or OP units for purposes of negotiating the terms of this exchange offer and/or preparing a report concerning the fairness of this exchange offer.

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You may not be able to sell your Class A common shares or OP units in the public market if you do not exchange them for Class B common shares in the exchange offer.

We do not currently anticipate that we will list our Class A common shares or OP units on a national securities exchange and are not under any obligation to do so. Therefore, if you do not exchange your Class A common shares or OP units in the exchange offer, your Class A common shares or OP units will continue to be subject to certain restrictions on transfers, as set forth in the governance documents of the Company and the Operating Partnership and the Securities Act.

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FORWARD-LOOKING STATEMENTS

We make statements in this prospectus, and the documents incorporated herein by reference, that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “could,” “would,” “seeks,” “approximately,” “intends,” “plans,” “pro forma,” “estimates” or “anticipates” or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- adverse economic or real estate developments in Texas, Arizona or Illinois;
- general economic conditions, including downturns in the national and local economies;
- market trends;
- projected capital expenditures;
- estimates relating to our ability to make distributions to our shareholders in the future;
- our understanding of our competition and our ability to compete effectively;
- defaults on or non-renewal of leases by tenants;
- increased interest rates and operating costs;
- our failure to obtain necessary outside financing on favorable terms or at all;
- decreased rental rates or increased vacancy rates;
- difficulties in identifying properties to acquire, and in consummating real estate acquisitions, developments, joint ventures and dispositions;
- our failure to successfully operate acquired properties and operations;
- our failure to maintain our status as a REIT;
- government approvals, actions or initiatives, including the need for compliance with environmental requirements;
- environmental uncertainties and risks related to natural disasters;
- loss of services of one or more of our executive officers;
  - lack of or insufficient amounts of insurance;
- financial market fluctuations;
- changes in foreign currency exchange rates;
- changes in real estate and zoning laws or increases in real property tax rates; and
- other factors affecting real estate markets generally.

While forward-looking statements reflect our good faith beliefs, they are not guaranties of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes, even if subsequent events cause us to become aware of new risks or cause our expectations to change regarding the forward-looking matters discussed in this prospectus. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section above entitled “Risk Factors.”





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## USE OF PROCEEDS

Neither the Company nor the Operating Partnership will receive any cash proceeds from the exchange offer. We will pay all of the fees and expenses related to the exchange offer, other than any commissions or concessions of any broker dealer.

## MARKET FOR SECURITIES

## Class A Common Shares

There is no established trading market for our Class A common shares. As of November 18, 2011, there were 2,603,294 Class A common shares outstanding held by a total of approximately 1,400 shareholders of record. As of September 30, 2011, the book value per Class A common share was \$10.30.

## Class B Common Shares

Our Class B common shares commenced trading on the NYSE Amex on August 26, 2010. As of November 18, 2011, there were 8,833,963 Class B common shares outstanding held by a total of approximately 7,000 shareholders of record. As of September 30, 2011, the book value per Class B common share was \$10.30. The following table sets forth the quarterly high and low prices per Class B common share reported on the NYSE Amex for each of the periods indicated.

	High	Low
2010		
First Quarter	N/A	N/A
Second Quarter	N/A	N/A
Third Quarter	\$12.03	\$11.32
Fourth Quarter	\$14.94	\$11.79
2011		
First Quarter	\$14.94	\$13.73
Second Quarter	\$14.94	\$11.90
Third Quarter	\$13.34	\$10.77
Fourth Quarter (through November 18)	\$12.20	\$10.05

On November 18, 2011, the closing price of our Class B common shares reported on the NYSE Amex was \$11.88 per share.

## OP Units

There is no established trading market for our OP units. As of November 18, 2011, there were 1,360,927 OP units, not held by the Company, outstanding, held by a total of approximately 1,400 limited partners. As of September 30, 2011, the book value per OP unit was \$10.96.

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DISTRIBUTION POLICY

Subsequent to this exchange offer, we intend to continue to declare distributions to holders of our common shares and OP units, payable monthly. U.S. federal income tax law generally requires that a REIT distribute annually to its shareholders at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates on any taxable income that it does not distribute. We generally intend over time to pay dividends in an amount equal to our taxable income. You should read the following discussion and the information set forth in the table and footnotes below together with “Management's Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related notes, which are incorporated herein by reference with respect to the Company and included elsewhere in this prospectus with respect to the Operating Partnership.

Any distributions we make will be at the discretion of our Board, and we cannot assure you that our distributions will be made or sustained. The timing and frequency of distributions will be authorized by our Board and declared by us based upon a number of factors, including:

- our funds from operations;
- our debt service requirements;
- our capital expenditure requirements for our properties;
- our taxable income, combined with the annual distribution requirements necessary to maintain REIT qualification;
- requirements of Maryland law;
- our overall financial condition; and
- other factors deemed relevant by our Board.

We declared the following distributions to our Class A and Class B shareholders and holders of OP units with respect to the periods indicated:

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	Distributions Per Common Share/OP Unit <sup>(1)</sup>
2006	
First Quarter	\$0.5304
Second Quarter	\$0.5304
Third Quarter	\$0.4500
Fourth Quarter	\$0.4500
2007	
First Quarter	\$0.4500
Second Quarter	\$0.4500
Third Quarter	\$0.4500
Fourth Quarter	\$0.4500
2008	
First Quarter	\$0.4500
Second Quarter	\$0.4500
Third Quarter	\$0.3375
Fourth Quarter	\$0.3375
2009	
First Quarter	\$0.3375
Second Quarter	\$0.3375
Third Quarter	\$0.3375
Fourth Quarter	\$0.3375
2010	
First Quarter	\$0.3375
Second Quarter	\$0.2850
Third Quarter	\$0.2850
Fourth Quarter	\$0.2850
2011	
First Quarter	\$0.2850
Second Quarter	\$0.2850
Third Quarter	\$0.2850

Distributions paid with respect to Class A common shares and, since September 2010, with respect to the Class A <sup>(1)</sup> and Class B common shares. Distributions have been adjusted to reflect the 1-for-3 reverse split of our Class A common shares and OP units in August 2010.

Our distribution rate for the year ended December 31, 2010 was approximately 88% of our funds from operations per share. We typically declare our distributions quarterly and pay our distributions in three equal monthly installments. For the fourth quarter of 2011, we declared a distribution per common share and OP unit of \$0.2850, which was paid or will be paid as follows: \$0.095 on October 7, 2011, \$0.095 on November 8, 2011 and \$0.095 on December 8, 2011.

We cannot assure you that our distributions will be made or sustained. Our actual results of operations may differ materially from our current expectations or past performance. Our actual results of operations will be affected by a number of factors, including, but not limited to, the revenue we receive from our properties, our operating expenses, our ability to attract and retain tenants, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. There can be no assurance that we will be able to pay or maintain cash distributions or that distributions will increase over time.

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## SELECTED HISTORICAL FINANCIAL DATA

The following tables set forth selected historical consolidated financial, operating and other data for the Company and the Operating Partnership and their respective subsidiaries. You should read the following selected historical financial data in conjunction with the consolidated historical financial statements and notes thereto of each of the Company and the Operating Partnership and their respective subsidiaries and “Management's Discussion and Analysis of Financial Condition and Results of Operations,” which are incorporated herein by reference with respect to the Company and included elsewhere in this prospectus with respect to the Operating Partnership.

Our historical consolidated financial data included below and incorporated by reference into or included elsewhere in this prospectus are not necessarily indicative of our future performance.

## Whitestone REIT

	Nine Months Ended		Year Ended December 31,				
	September 30, 2011 (unaudited)	2010	2010	2009	2008	2007	2006
Operating Data:			(in thousands)				
Revenues	\$24,769	\$23,236	\$31,229	\$32,356	\$30,796	\$29,037	\$28,083
Property expenses	9,605	8,930	12,085	12,794	12,573	12,035	11,261
General and administrative	4,737						